

**CITY OF PANORA**

Panora, Iowa

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2015

## CITY OF PANORA

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**CITY OF PANORA**  
City Officials  
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pat Parker	Mayor	December 31, 2015
Andrew Carson	Mayor Pro Tem	December 31, 2015
Shannon Barber	Council Member	December 31, 2017
Mike Moore	Council Member	December 31, 2017
Kim Smith	Council Member	December 31, 2015
Mary Smith	Council Member	December 31, 2017
Lisa Grossman	Clerk/Administrator	Indefinite
Joyce Calmer	Treasurer/Deputy City Clerk	Indefinite
Jeffrey Bump	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Panora, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Panora, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Panora, Iowa as of June 30, 2015 and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

#### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

#### Emphasis of Matter

As disclosed in Note 4 to the financial statements, the City of Panora adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

#### Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Panora's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (none of which are presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included on pages 34 through 41 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 10 and 27 through 33, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any other form of assurance on it.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2016 on our consideration of the City of Panora's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Panora's internal control over financial reporting and compliance.

*Schuring, Uitermarkt,  
Sims, McCleish, Ver Meer, P.C.*

Schuring, Uitermarkt, Sims, McCleish, Ver Meer, P.C.  
Urbandale, Iowa  
March 3, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the City of Panora's annual financial report provides management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 16%, or \$174,253, from fiscal 2014 to fiscal 2015. Property tax revenues, other city taxes, licenses and permits, charges for services, and miscellaneous receipts increased \$60,334, \$259, \$877, \$1,154, and \$156,382 respectively. Miscellaneous receipts include \$177,225 in proceeds from the sales of the previous municipal building. Other city taxes include the local option sales tax. TIF revenues, use of money and property, intergovernmental, and special assessments all decreased by the following, \$34,103, \$143, \$1,450, and \$9,057.
- Disbursements decreased 3% or \$56,297 in fiscal 2015 from fiscal 2014. This was again due to a decrease in capital projects completed in the previous fiscal year. Specifically, capital projects decreased \$126,238. In addition, there was a decrease in general government of \$1,929. Public safety, public works, culture and recreation, community and economic development and debt service all had slight increases which were \$7,871, \$24,384, \$30,178, \$12,830, and \$24,706 respectively.
- The City's total cash basis net position increased 2%, or \$33,261, from June 30, 2014 to June 30, 2015. Of this amount, the position of the governmental activities increased \$82,646 while the position of the business type activities decreased by \$49,385. The increase was the result of projects being completed in the previous fiscal year.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- The "Management's Discussion and Analysis" introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The "Government-wide Financial Statement" consists of a "Cash Basis Statement of Activities and Net Position." This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The "Fund Financial Statements" tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- “Other Information” further explains and supports the financial statements with a comparison of the City’s budget for the year and detailed information on pension expenses and pension liabilities.
- “Supplementary Information” provides detailed information about the non-major governmental funds and the City’s long-term debt.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORT OF THE CITY’S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities?” The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City’s net position. Over time, increases or decreases in the City’s net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the City’s electric utility, water utility, the sanitary sewer system, solid waste/recycling operations, ambulance and the storm sewer. These activities are all financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

**Governmental funds** account for most of the City’s basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment Funds, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.

The required financial statement for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

**Proprietary funds** account for the City's Enterprise Funds, which are the City's business type activities. The City maintains seven Enterprise Funds to provide separate information for the water, sewer, electric, garbage, landfill, ambulance and storm water funds, considered to be major funds of the City.

The required financial statement for proprietary funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$82,646 from a year ago, from \$765,270 to \$847,916. The analysis that follows focuses on the changes in cash balances for governmental activities.

### Changes in Cash Balances of Governmental Activities

	<u>Years Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Property tax	\$ 600,760	540,426
TIF revenues	112,994	147,097
Other city taxes	82,588	82,329
Licenses and permits	3,222	2,345
Use of money and property	7,438	7,581
Intergovernmental	192,181	193,631
Charges for services	6,722	5,568
Special assessments	16,092	25,149
Miscellaneous	216,796	60,414
Total Receipts	<u>1,238,793</u>	<u>1,064,540</u>
Disbursements:		
Operating:		
Public safety	268,733	260,862
Public works	144,826	120,442
Culture and recreation	145,820	115,642
Community and economic development	41,800	28,970
General government	71,557	73,486
Debt service	443,706	419,000
Capital projects	599,094	753,431
Total Disbursements	<u>1,715,536</u>	<u>1,771,833</u>
Deficit of Receipts under Disbursements	(476,743)	(707,293)
Other Financing Sources:		
Proceeds of long-term debt	456,476	565,507
Transfers	<u>102,913</u>	<u>96,258</u>
Increase in Cash Balances	82,646	(45,528)

Cash Balances at Beginning of Year	765,270	810,798
Cash Balances at End of Year	<u>\$ 847,916</u>	<u>765,270</u>

The City's total receipts for governmental activities increased by 16%, or \$174,253. The total cost of all programs and services decreased by \$56,297, or 3%.

The cost of all governmental activities this year was \$1,715,536 compared to \$1,771,833 last year. As shown in the Cash Basis Statement of Activities and Net Position on pages 11-12, the amount taxpayers ultimately financed for these activities was \$1,487,367 because some of the cost was paid by those who directly benefited from the programs (\$10,857) or by other governments and organizations that subsidized certain programs with grants and contributions (\$217,312).

#### Changes in Cash Balances of Business Type Activities

	<u>Years Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Operating Receipts:		
Charges for service:		
Water	\$ 465,227	464,328
Sewer	212,934	207,888
Electric	1,372,752	1,382,822
Garbage	54,505	53,336
Landfill	25,728	24,893
Ambulance	438,305	460,538
Storm sewer	80,884	77,557
Intergovernmental	8,029	15,640
Total Operating Receipts	<u>2,658,364</u>	<u>2,687,002</u>
Operating Disbursements:		
Business type activities:		
Water	384,506	411,729
Sewer	263,854	240,211
Electric	1,227,359	1,197,321
Garbage	44,884	44,296
Landfill	21,108	20,232
Ambulance	454,923	481,747
Storm sewer	410	9,680
Total Operating Disbursements	<u>2,397,044</u>	<u>2,405,216</u>
Excess of Operating Receipts over Operating Disbursements	<u>261,320</u>	<u>281,786</u>
Total Non-Operating Receipts (Disbursements)	<u>(310,705)</u>	<u>(289,994)</u>
Net Change in Cash Balances	(49,385)	(8,208)
Cash Balances at Beginning of Year	1,396,375	1,404,583
Cash Balances at End of Year	<u>\$ 1,346,990</u>	<u>1,396,375</u>

Total business type activities receipts for the fiscal year were \$2,658,364 compared to \$2,687,002 last year. This is the result no large projects or changes as business type funds remained steady from the previous fiscal year. Total disbursements for the fiscal year increased by 0.22% to a total of \$2,605,073.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Panora completed the year, its governmental funds reported a combined fund balance of \$847,916, an increase of \$82,646 from last year's total of \$765,270. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The Capital Projects Fund increased from \$(124,956) to \$651 to a positive balance. The increase was the result of receiving capital projects financing during the fiscal year.
- There were increases in property tax revenue, other city taxes, licenses and permits, charges for services, and miscellaneous, of \$60,334, \$259, \$877, \$1,154, and \$156,382. The increases were slightly offset by decreases in TIF revenues, use of money and property, intergovernmental, and special assessments of \$34,103, \$143, \$1,450, and \$9,057 respectively.
- The General Fund cash balance decreased \$6,992 from the prior year to \$392,318. A reason the General Fund decreased was an additional payment towards the police vehicle and replacement of gear for the fire department.
- The Road Use Tax Fund cash balance increased by \$16,114 to \$67,573 during the fiscal year. This increase was due to cost saving measures for future street improvements and the receipt of additional road use tax money from the increased gas tax.
- The TIF – Central Fund decreased by \$11,773 to \$(6,362). This was due to an additional payment to debt service that will be reimbursed with TIF revenues that are projected in the next fiscal year due to an error being corrected in valuations in the district.
- The Debt Service Fund decreased by \$544 to \$80,942 due to debt being paid down. The revenue from assessments will be used to pay down the 2010 GO bond in the future.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$49,596 to \$168,746. This was due in part to increased expenses during the water plant project and less water usage due to increased rainfall for the year. Rates have been increased to compensate for the decline in usage.
- The Sewer Fund cash balance decreased by \$69,282 to \$159,399. This was due in part to large sewer projects being contracted during the fiscal year.
- The Electric Fund cash balance increased by \$116,345 to \$859,106 due to needed upgrades within the electric system.
- The Garbage Fund cash balance increased by \$4,679 to \$85,123 and the Landfill cash balance increased by \$4,620 to \$58,926. These amounts show that the City charges for these services are matching the costs paid to outside contractors.
- The Storm Water cash balance has increased by \$10,537 to \$167,735. This is due to increased storm water rates for planned storm water projects.

- The Ambulance Fund cash balance has decreased by \$66,688 to \$(151,775). This decrease is a result of outstanding uncollected debt and a delayed billing cycle. The department also has contracts for service with local towns in addition to charging for services. The department is currently exploring taxation as another source of revenue.

## BUDGETARY HIGHLIGHTS

The City amended its budget for additional disbursements in certain City departments. The amendment was approved on May 26, 2015 and resulted in an increase in operating disbursements related to various operational cost overruns. The City had sufficient cash balances to absorb these additional costs.

## DEBT ADMINISTRATION

At June 30, 2015, the City had \$5,643,065 in bonds and other long-term debt, compared to \$5,677,019 last year, as shown below.

	<u>Outstanding Debt at Year End</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
General obligation bonds	\$ 3,364,135	3,249,189
Revenue bonds	2,278,930	2,427,830
	<u>\$ 5,643,065</u>	<u>5,677,019</u>

General obligation debt increased as a result of new debt being issued exceeding the amount of payments on existing debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. Because \$1,694,200 of the City's general obligation bonds are considered to be annual appropriation debt, the remaining general obligation debt of \$1,669,935 was below its constitutional debt limit of \$2,900,508.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Panora's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees that will be charged for various City activities. One of these factors is the economy. The unemployment rate in Guthrie County of 3.1% is below the State's unemployment rate of 3.6% and the National rate of 5.1%.

Inflation in the State during fiscal year 2015 was similar to the national level. The National CPI increase was 0.5% for the fiscal year 2015.

While property taxes are important to the City, they constitute approximately 15% of total program resources excluding other financing sources. TIF revenues comprised 2.9% of revenues. The largest revenue source, at over 68% comes from fees and charges for services which includes utility charges. The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly, including periodic cost of service studies for its utility operations. Water rates have been and will be steadily increased, as the City has adopted an ordinance that increases water rates each year for the next several years. Sewer rates also are being raised. Unfortunately, interest revenues were down this year.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Grossman, City Administrator, 102 NW 2<sup>nd</sup> Street, Panora, Iowa.

**CITY OF PANORA**  
Cash Basis Statement of Activities and Net Position  
As of and For the Year Ended June 30, 2015

Function / Programs:	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Public safety	\$ 268,733	4,135	42,780	0
Public works	144,826	0	121,476	0
Culture and recreation	145,820	6,722	33,814	0
Community and economic development	41,800	0	3,150	0
General government	71,557	0	0	0
Debt service	443,706	0	0	0
Capital projects	599,094	0	0	16,092
Total Governmental Activities	<u>1,715,536</u>	<u>10,857</u>	<u>201,220</u>	<u>16,092</u>
Business type activities:				
Water	504,236	465,227	0	0
Sewer	282,216	212,934	0	0
Electric	1,227,359	1,372,752	237	0
Garbage	44,884	54,505	0	0
Landfill	21,108	25,728	0	0
Ambulance	454,923	438,305	8,029	0
Storm water	70,347	80,884	0	0
Total Business Type Activities	<u>2,605,073</u>	<u>2,650,335</u>	<u>8,266</u>	<u>0</u>
Total	<u>\$ 4,320,609</u>	<u>2,661,192</u>	<u>209,486</u>	<u>16,092</u>

General Receipts:	
Property tax levied for:	
General purposes	
Debt service	
Tax increment financing	
Local option sales tax	
Unrestricted interest on investments	
Proceeds of long-term debt	
Miscellaneous	
Transfers	
Total General Receipts	
Change in Cash Basis Net Position	
Cash Basis Net Position at Beginning of Year	
Cash Basis Net Position at End of Yea	

Cash Basis Net Position:	
Restricted:	
Nonexpendable - Permanent Fund	
Expendable:	
Streets	
Urban renewal purposes	
Debt service	
Other purposes	
Unrestricted	
Total Cash Basis Net Positior	

The accompanying notes are an integral part of these financial statements.  
See independent auditor's report.

**CITY OF PANORA**  
Cash Basis Statement of Activities and Net Position  
As of and For the Year Ended June 30, 2015

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(221,818)	0	(221,818)
(23,350)	0	(23,350)
(105,284)	0	(105,284)
(38,650)	0	(38,650)
(71,557)	0	(71,557)
(443,706)	0	(443,706)
(583,002)	0	(583,002)
<u>(1,487,367)</u>	<u>0</u>	<u>(1,487,367)</u>
0	(39,009)	(39,009)
0	(69,282)	(69,282)
0	145,630	145,630
0	9,621	9,621
0	4,620	4,620
0	(8,589)	(8,589)
0	10,537	10,537
<u>0</u>	<u>53,528</u>	<u>53,528</u>
<u>(1,487,367)</u>	<u>53,528</u>	<u>(1,433,839)</u>
425,105	0	425,105
175,655	0	175,655
112,994	0	112,994
82,588	0	82,588
7,438	0	7,438
456,476	0	456,476
206,844	0	206,844
102,913	(102,913)	0
<u>1,570,013</u>	<u>(102,913)</u>	<u>1,467,100</u>
82,646	(49,385)	33,261
765,270	1,396,375	2,161,645
<u>\$ 847,916</u>	<u>1,346,990</u>	<u>2,194,906</u>
\$ 19,176	0	19,176
67,573	0	67,573
209,970	0	209,970
80,942	36,750	117,692
87,991	0	87,991
382,264	1,310,240	1,692,504
<u>\$ 847,916</u>	<u>1,346,990</u>	<u>2,194,906</u>

**CITY OF PANORA**  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and For the Year Ended June 30, 2015

		Special Revenue	
	General	Road Use Tax	TIF - Central
Receipts:			
Property tax	\$ 302,862	0	0
TIF revenues	0	0	82,727
Other city taxes	0	0	0
Licenses and permits	3,222	0	0
Use of money and property	7,438	0	0
Intergovernmental	60,465	121,476	0
Charges for services	5,767	0	0
Special assessments	0	0	0
Miscellaneous	7,607	20,305	0
Total Receipts	<u>387,361</u>	<u>141,781</u>	<u>82,727</u>
Disbursements:			
Operating:			
Public safety	218,338	0	0
Public works	0	127,460	0
Culture and recreation	77,414	0	0
Community and economic development	0	0	0
General government	59,016	0	0
Debt service	0	0	0
Capital projects	0	0	0
Total Disbursements	<u>354,768</u>	<u>127,460</u>	<u>0</u>
Excess (Deficit) of Receipts over (under) Disbursements	<u>32,593</u>	<u>14,321</u>	<u>82,727</u>
Other Financing Sources (Uses)			
Proceeds of long-term debt	0	0	0
Transfers In (Out)	(39,585)	1,793	(94,500)
Total Other Financing Sources	<u>(39,585)</u>	<u>1,793</u>	<u>(94,500)</u>
Net Change in Cash Balances	(6,992)	16,114	(11,773)
Cash Balances at Beginning of Year	399,310	51,459	5,411
Cash Balances at End of Year	<u>\$ 392,318</u>	<u>67,573</u>	<u>(6,362)</u>
Cash Basis Fund Balances:			
Nonspendable - Permanent Fund	\$ 0	0	0
Restricted for:			
Urban renewal purposes	0	0	0
Debt service	0	0	0
Streets	0	67,573	0
Other purposes	0	0	0
Unassigned	392,318	0	(6,362)
Total Cash Basis Fund Balances	<u>\$ 392,318</u>	<u>67,573</u>	<u>(6,362)</u>

The accompanying notes are an integral part of these financial statements.  
See independent auditor's report.

**CITY OF PANORA**  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and For the Year Ended June 30, 2015

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
175,655	0	122,243	600,760
0	0	30,267	112,994
0	0	82,588	82,588
0	0	0	3,222
0	0	0	7,438
0	0	10,240	192,181
0	0	955	6,722
0	16,092	0	16,092
0	177,225	11,659	216,796
<u>175,655</u>	<u>193,317</u>	<u>257,952</u>	<u>1,238,793</u>
0	0	50,395	268,733
0	0	17,366	144,826
0	0	68,406	145,820
0	0	41,800	41,800
0	0	12,541	71,557
415,607	28,099	0	443,706
0	599,094	0	599,094
<u>415,607</u>	<u>627,193</u>	<u>190,508</u>	<u>1,715,536</u>
<u>(239,952)</u>	<u>(433,876)</u>	<u>67,444</u>	<u>(476,743)</u>
0	456,476	0	456,476
239,408	103,007	(107,210)	102,913
<u>239,408</u>	<u>559,483</u>	<u>(107,210)</u>	<u>559,389</u>
(544)	125,607	(39,766)	82,646
81,486	(124,956)	352,560	765,270
<u>80,942</u>	<u>651</u>	<u>312,794</u>	<u>847,916</u>
0	0	19,176	19,176
0	0	209,970	209,970
80,942	0	0	80,942
0	0	0	67,573
0	651	87,340	87,991
0	0	(3,692)	382,264
<u>80,942</u>	<u>651</u>	<u>312,794</u>	<u>847,916</u>

**CITY OF PANORA**  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balaces - Proprietary Funds  
As of and For the Year Ended June 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Operating Receipts:			
Charges for services	\$ 461,173	212,934	1,353,281
Intergovernmental receipts	0	0	0
Miscellaneous	4,054	0	19,471
Total Operating Receipts	<u>465,227</u>	<u>212,934</u>	<u>1,372,752</u>
Disbursements:			
Operating:			
Business type activities	384,506	263,854	1,227,359
Total Operating Disbursements	<u>384,506</u>	<u>263,854</u>	<u>1,227,359</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>80,721</u>	<u>(50,920)</u>	<u>145,393</u>
Non-Operating Receipts (Disbursements)			
Use of money and property - interest	0	0	237
Transfers	(10,587)	0	(29,285)
Debt service	<u>(119,730)</u>	<u>(18,362)</u>	<u>0</u>
Total Non-Operating Receipts (Disbursements)	<u>(130,317)</u>	<u>(18,362)</u>	<u>(29,048)</u>
Net Change in Cash Balances	(49,596)	(69,282)	116,345
Cash Balances at Beginning of Year	218,072	228,681	742,761
Cash Balances at End of Year	<u>\$ 168,476</u>	<u>159,399</u>	<u>859,106</u>
Cash Basis Fund Balances:			
Restricted for debt service	\$ 0	36,750	0
Unrestricted	168,476	122,649	859,106
Total Cash Basis Fund Balances	<u>\$ 168,476</u>	<u>159,399</u>	<u>859,106</u>

The accompanying notes are an integral part of these financial statements.  
See independent auditor's report.

**CITY OF PANORA**  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Proprietary Funds  
As of and For the Year Ended June 30, 2015

<u>Enterprise Funds</u>				
<u>Garbage</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Storm Water</u>	<u>Total</u>
54,505	25,728	388,852	80,884	2,577,357
0	0	8,029	0	8,029
0	0	49,453	0	72,978
<u>54,505</u>	<u>25,728</u>	<u>446,334</u>	<u>80,884</u>	<u>2,658,364</u>
44,884	21,108	454,923	410	2,397,044
<u>44,884</u>	<u>21,108</u>	<u>454,923</u>	<u>410</u>	<u>2,397,044</u>
9,621	4,620	(8,589)	80,474	261,320
0	0	0	0	237
(4,942)	0	(58,099)	0	(102,913)
0	0	0	(69,937)	(208,029)
<u>(4,942)</u>	<u>0</u>	<u>(58,099)</u>	<u>(69,937)</u>	<u>(310,705)</u>
4,679	4,620	(66,688)	10,537	(49,385)
80,444	54,306	(85,087)	157,198	1,396,375
<u>85,123</u>	<u>58,926</u>	<u>(151,775)</u>	<u>167,735</u>	<u>1,346,990</u>
0	0	0	0	36,750
85,123	58,926	(151,775)	167,735	1,310,240
<u>85,123</u>	<u>58,926</u>	<u>(151,775)</u>	<u>167,735</u>	<u>1,346,990</u>

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Panora is a political subdivision of the State of Iowa located in Guthrie County. The City operates under the Mayor-Council form of government with the mayor and council members elected on a non-partisan basis. The City provides numerous services to its citizens, including public safety, public works, culture and recreation, community and economic development and general government services.

The City also provides water, sewer, electric, garbage collection, recycling and storm water utilities for its citizens as well as providing ambulance service.

Reporting Entity

For financial reporting purposes, the City of Panora has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

The City of Panora has no component units.

The City also participates in jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following commission: Guthrie County Regional Airport Authority.

Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

See independent auditor's report.

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds

Road Use Tax – The Road Use Tax Fund is used to account the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

TIF – Central – The TIF – Central Fund is used to account for urban renewal projects in the central TIF district financed by tax increment financing.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of principal and interest on the City's general long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to account for all resources used for the acquisition or construction of capital facilities.

The City reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the City's water system.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Electric Fund – The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

Ambulance Fund – The Ambulance fund accounts for the operation and maintenance of the City's rescue unit.

See independent auditor's report.

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

Measurement Focus and Basis of Accounting

The City of Panora maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by grantors, creditors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

(2) Pooled Deposits and Investments

The City's deposits at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Funds that have deficit cash in bank balances are considered to have borrowed cash from other funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

See independent auditor's report.

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

Interest Rate Risk – The City's policy is to invest excess funds in certificates of deposit with maturities of two years or less.

(3) Long-Term Debt

A summary of the City's June 30, 2015 general obligation and revenue bond indebtedness is as follows:

Year		General Obligation		Water Revenue		Sewer Revenue		Storm Water		
Ending	Interest	<u>Bonds</u>		<u>Bonds</u>		<u>Bond</u>		<u>Revenue Note</u>		
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1.75 - 4.00%	\$ 323,391	103,965	75,000	27,615	13,000	4,560	48,130	19,448	615,109
2017	1.75 - 4.00	329,999	95,698	75,000	26,303	14,000	4,170	54,550	19,167	618,887
2018	1.75 - 4.00	336,829	86,915	80,000	24,990	14,000	3,750	56,780	16,945	620,209
2019	1.75 - 4.00	348,581	77,927	78,000	23,590	15,000	3,330	59,090	14,632	620,150
2020	1.75 - 4.00	360,455	68,449	79,000	22,225	15,000	2,880	61,500	12,224	621,733
		<u>1,699,255</u>	<u>432,954</u>	<u>387,000</u>	<u>124,723</u>	<u>71,000</u>	<u>18,690</u>	<u>280,050</u>	<u>82,416</u>	<u>3,096,088</u>
2021-2025	1.75 - 4.00	1,419,880	182,726	422,000	89,740	81,000	7,440	268,880	22,799	2,494,465
2026-2030	1.75 - 3.60	245,000	13,200	466,000	51,292	0	0	0	0	775,492
2031-2033	1.75	0	0	303,000	10,675	0	0	0	0	313,675
		<u>\$ 3,364,135</u>	<u>628,880</u>	<u>1,578,000</u>	<u>276,430</u>	<u>152,000</u>	<u>26,130</u>	<u>548,930</u>	<u>105,215</u>	<u>6,679,720</u>

Interest paid on General Obligation Bonds amounted to \$107,791, interest paid on Water Revenue Bonds amounted to \$29,570, interest paid on Sewer Revenue Bonds amounted to \$4,950, and interest paid on Storm Water Revenue Notes amounted to \$20,038. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2015 are as follows:

<u>Type of Indebtedness</u>	<u>Amount</u>
General Obligation Bonds	\$ 80,942
Sewer Revenue Bonds	<u>36,750</u>
	<u>\$ 117,692</u>

See independent auditor's report.

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

The Water Revenue Bonds provide for annual transfers to the Water Sinking Fund from the Water Revenue Fund sufficient to cover the annual principal and interest payments on the Water Revenue Bonds. The Sewer Revenue Bond provides for annual transfers from the Sewer Revenue Fund to the Sewer Sinking Fund sufficient to cover the annual principal and interest payments on the Sewer Revenue Bond. The Storm Sewer Revenue Note provides for annual transfers from the Storm Water Revenue Fund to the Storm Water Sinking Fund sufficient to cover the annual principal and interest payments on the Storm Water Revenue Note. Minimum annual sinking fund requirements are as follows:

Year Ending <u>June 30,</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
2016	\$ 102,615	17,560	67,578
2017	101,303	18,170	73,717
2018	104,990	17,750	73,725
2019	101,590	18,330	73,722
2020	101,225	17,880	73,724
	<u>511,723</u>	<u>89,690</u>	<u>362,466</u>
2021-2025	511,740	88,440	291,679
2026-2030	517,292	0	0
2031-2033	313,675	0	0
	<u>\$ 1,854,430</u>	<u>178,130</u>	<u>654,145</u>

(4) Pension Plan

Plan Description

IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

See independent auditor's report.

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the underfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$78,310.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$166,328. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was .0041939 percent, which was a decrease of 0.0026348% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$26,882, \$13,918 and \$93,241 respectively.

See independent auditor's report.

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.20
Cash	1	(0.69)
	100%	

See independent auditor's report.

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher ( 8.5 percent) than the current rate.

	1% Decrease <u>6.50%</u>	Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
City's proportionate share of the net pension liability	\$ 569,566	\$ 166,328	\$ (173,787)

Pension Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

(5) General Long-Term Debt Account Group

Changes in the general long-term debt account group for the year ended June 30, 2015 are as follows:

Balance at beginning of the year	\$ 3,249,189
New loans issued	449,861
Principal payments during the year	<u>(334,915)</u>
Balance at end of the year	<u><u>\$ 3,364,135</u></u>

(6) Compensated Absences

City employees accumulate vacation, sick leave and personal leave hours for subsequent use. Vacation may be paid upon termination, retirement or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate liability for unrecognized accrued employee benefits at June 30, 2015 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$165,495
Vacation	36,787
Personal leave	<u>4,406</u>
	<u><u>\$206,688</u></u>

The liability has been computed based on rates of pay as of June 30, 2015.

See independent auditor's report.

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

- (7) Risk Management  
The City of Panora is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.
- (8) Property Tax Calendar  
Property taxes are collected and remitted to the City by the county government. Taxes are levied annually on July 1 based on an assessment as of January 1. Taxes are due one-half on September 30 in the year following the levy and one-half on the subsequent March 31. The lien date is July 1. Current and delinquent tax payments are recognized as receipts by the City when received.
- (9) Budget Overexpenditure  
Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2015, disbursements in the debt service program exceeded the amount budgeted.
- (10) Deficit Fund Balances  
The TIF – Central Fund had a deficit fund balance of \$6,362 at June 30, 2015 as a result of transferring funds prior to the receipt of revenue. The deficit will be eliminated through future tax increment financing receipts.  
  
The Economic Development Fund had a deficit fund balance of \$3,692 at June 30, 2015 as a result of disbursements exceeding receipts during the year ended June 30, 2015. The deficit will be eliminated through future economic development receipts.
- (11) Commitments  
The City has committed to enter into a lease purchase of ambulance equipment with a total value of \$77,000.

See independent auditor's report.

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2015

(12) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2015 is as follows:

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Road Use Tax	Enterprise Fund - Garbage	<u>\$ 4,942</u>
TIF - Low/Mod Housing	TIF - NW Terra Vista	<u>12,285</u>
Debt Service	General	39,585
	Road Use Tax	3,149
	Local Option Sales Tax	72,022
	TIF - NE	152
	TIF - Central	94,500
	Ambulance Revenue	30,000
		<u>239,408</u>
Capital Projects	TIF - Low/Mod Housing	14,031
	Local Option Sales Tax	21,005
	Water Revenue	10,587
	Electric Revenue	29,285
	Ambulance	28,099
		<u>103,007</u>
		<u>\$ 359,642</u>

See independent auditor's report.

**CITY OF PANORA**  
 Budgetary Comparison Schedule of Receipts, Disbursements  
 and Changes in Cash Balances - Budget and Actual (Cash Basis)  
 All Governmental Funds and Proprietary Funds  
 Year Ended June 30, 2015

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 600,760	0	600,760
TIF revenues	112,994	0	112,994
Other city taxes	82,588	0	82,588
Licenses and permits	3,222	0	3,222
Use of money and property	7,438	237	7,675
Intergovernmental	192,181	8,029	200,210
Charges for services	6,722	2,650,335	2,657,057
Special assessments	16,092	0	16,092
Miscellaneous	216,796	0	216,796
Other financing sources	559,389	0	559,389
Total Receipts	<u>1,798,182</u>	<u>2,658,601</u>	<u>4,456,783</u>
Disbursements:			
Public safety	268,733	0	268,733
Public works	144,826	0	144,826
Culture and recreation	145,820	0	145,820
Community and economic development	41,800	0	41,800
General government	71,557	0	71,557
Debt service	443,706	0	443,706
Capital projects	599,094	0	599,094
Business type activities	0	2,605,073	2,605,073
Other financing uses	0	102,913	102,913
Total Disbursements	<u>1,715,536</u>	<u>2,707,986</u>	<u>4,423,522</u>
Excess (Deficit) of Receipts over (under) Disbursements	82,646	(49,385)	33,261
Balances at Beginning of Year	765,270	1,396,375	2,161,645
Balances at End of Year	<u>\$ 847,916</u>	<u>1,346,990</u>	<u>2,194,906</u>

See independent auditor's report.

**CITY OF PANORA**  
 Budgetary Comparison Schedule of Receipts, Disbursements  
 and Changes in Cash Balances - Budget and Actual (Cash Basis)  
 All Governmental Funds and Proprietary Funds  
 Year Ended June 30, 2015

<u>Budgeted Amounts</u>		<u>Variance</u>
<u>Original</u>	<u>Amended</u>	<u>to Final</u>
581,545	581,545	19,215
143,477	143,477	(30,483)
96,146	96,146	(13,558)
3,275	3,275	(53)
17,800	22,400	(14,725)
208,271	238,271	(38,061)
2,724,100	2,761,600	(104,543)
20,000	20,000	(3,908)
56,370	56,370	160,426
658,327	1,325,649	(766,260)
<u>4,509,311</u>	<u>5,248,733</u>	<u>(791,950)</u>
300,948	300,948	32,215
131,655	153,655	8,829
149,010	155,010	9,190
30,100	44,100	2,300
87,865	87,865	16,308
361,926	413,926	(29,780)
64,000	633,100	34,006
2,584,315	2,658,815	53,742
476,327	568,676	465,763
<u>4,186,146</u>	<u>5,016,095</u>	<u>592,573</u>
323,165	232,638	(199,377)
2,152,009	2,152,009	9,636
<u>2,475,174</u>	<u>2,384,647</u>	<u>(189,741)</u>

**CITY OF PANORA**  
Notes to Other Information – Budgetary Reporting  
June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$739,422 and budgeted disbursements by \$829,949. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded amounts budgeted in the debt service function.

See independent auditor's report.

**CITY OF PANORA**

**Schedule of the City's Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System  
Last Fiscal Year\***

**Other Information**

	<u>2015</u>
City's proportion of the net pension liability	0.0041939%
City's proportionate share of the net pension liability	\$ 166,328
City's covered-employee payroll	\$ 824,201
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	20.18%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See independent auditor's report.

**CITY OF PANORA**  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Years Ended June 30

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 78,310	74,512	70,477	60,516
Contributions in relation to the statutorily required contribution	(78,310)	(74,512)	(70,477)	(60,516)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City's covered-employee payroll	\$ 824,201	800,403	758,822	696,534
Contributions as a percentage of covered- employee payroll	9.50%	9.31%	9.29%	8.69%

See independent auditor's report.

**CITY OF PANORA**  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Years Ended June 30

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
50,396	40,241	33,750	32,528	29,903	24,499
(50,396)	(40,241)	(33,750)	(32,528)	(29,903)	(24,499)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
635,192	543,802	494,663	503,422	444,595	384,093
7.93%	7.40%	6.82%	6.46%	6.73%	6.38%

**CITY OF PANORA**  
Notes to Other Information – Pension Liability  
Year Ended June 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the members' first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

See independent auditor's report.

**CITY OF PANORA**  
Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Nonmajor Governmental Funds  
As of and For the Year Ended June 30, 2015

	Veterans <u>Auditorium</u>	Police <u>Forfeiture</u>	Employee <u>Benefits</u>	Special Revenue Local Option <u>Sales Tax</u>
Receipts:				
Property tax	\$ 20,477	0	101,766	0
TIF revenues	0	0	0	0
Other city taxes	0	0	0	82,588
Intergovernmental	8,000	0	0	0
Charges for services	955	0	0	0
Miscellaneous	0	4,135	0	0
Total Receipts	<u>29,432</u>	<u>4,135</u>	<u>101,766</u>	<u>82,588</u>
Disbursements:				
Operating:				
Public safety	0	2,400	47,995	0
Public works	0	0	17,366	0
Culture and recreation	40,283	0	21,099	0
Community and economic development	0	0	0	8,385
General government	0	0	12,541	0
Total Disbursements	<u>40,283</u>	<u>2,400</u>	<u>99,001</u>	<u>8,385</u>
Excess (Deficit) of Receipts over (under) Disbursements	(10,851)	1,735	2,765	74,203
Operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(93,027)</u>
Net Change in Cash Balances	(10,851)	1,735	2,765	(18,824)
Cash Balances at Beginning of Year	46,834	1,975	23,027	40,679
Cash Balances at End of Year	<u>\$ 35,983</u>	<u>3,710</u>	<u>25,792</u>	<u>21,855</u>
Cash Basis Fund Balances:				
Nonspendable - Permanent Fund	\$ 0	0	0	0
Restricted for:				
Urban renewal purposes	0	0	0	0
Other purposes	35,983	3,710	25,792	21,855
Unrestricted	0	0	0	0
	<u>\$ 35,983</u>	<u>3,710</u>	<u>25,792</u>	<u>21,855</u>

See independent auditor's report.

**CITY OF PANORA**  
Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Nonmajor Governmental Funds  
As of and For the Year Ended June 30, 2015

<u>TIF - Low/Mod Housing</u>	<u>TIF - NE</u>	<u>TIF - NW Terra Vista</u>	<u>Economic Development</u>	<u>Permanent Trust and Agency</u>	<u>Total</u>
0	0	0	0	0	122,243
0	176	30,091	0	0	30,267
0	0	0	0	0	82,588
0	0	0	0	2,240	10,240
0	0	0	0	0	955
0	0	0	3,150	4,374	11,659
<u>0</u>	<u>176</u>	<u>30,091</u>	<u>3,150</u>	<u>6,614</u>	<u>257,952</u>
0	0	0	0	0	50,395
0	0	0	0	0	17,366
0	0	0	0	7,024	68,406
10,709	0	11,087	11,619	0	41,800
0	0	0	0	0	12,541
<u>10,709</u>	<u>0</u>	<u>11,087</u>	<u>11,619</u>	<u>7,024</u>	<u>190,508</u>
(10,709)	176	19,004	(8,469)	(410)	67,444
<u>(1,746)</u>	<u>(152)</u>	<u>(12,285)</u>	<u>0</u>	<u>0</u>	<u>(107,210)</u>
(12,455)	24	6,719	(8,469)	(410)	(39,766)
212,922	23	2,737	4,777	19,586	352,560
<u>200,467</u>	<u>47</u>	<u>9,456</u>	<u>(3,692)</u>	<u>19,176</u>	<u>312,794</u>
0	0	0	0	19,176	19,176
200,467	47	9,456	0	0	209,970
0	0	0	0	0	87,340
0	0	0	(3,692)	0	(3,692)
<u>200,467</u>	<u>47</u>	<u>9,456</u>	<u>(3,692)</u>	<u>19,176</u>	<u>312,794</u>

**CITY OF PANORA**  
Schedule of Long-Term Debt and Interest  
June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
General Obligation Bonds	January 12, 2010	2.00 - 4.00%	\$ 2,060,000
Annual Appropriation Bond	June 7, 2012	2.25 - 3.60	2,100,000
Annual Appropriation Note	April 28, 2014	2.00	307,800
Ambulance Loan	January 15, 2015	3.003	176,250
Total General Obligation Bonds and Notes			
Revenue Bonds:			
Water SRF	February 6, 2003	3.00	393,000
2009 SRF Construction	October 19, 2012	1.75	1,678,000
Sewer SRF	May 23, 2005	3.00	265,000
Storm Water Panora State Bank	May 23, 2013	4.00	628,630
Total Revenue Bonds			
Total			

See independent auditor's report.

**CITY OF PANORA**  
Schedule of Long-Term Debt and Interest  
June 30, 2015

<u>Balance</u> <u>June 30, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Interest</u> <u>Paid</u>
\$ 1,465,000	0	120,000	1,345,000	51,725
1,750,000	0	140,000	1,610,000	49,300
34,189	273,611	48,800	259,000	4,782
0	176,250	26,115	150,135	1,984
<u>3,249,189</u>	<u>449,861</u>	<u>334,915</u>	<u>3,364,135</u>	<u>107,791</u>
36,000	0	36,000	0	1,080
1,628,000	0	50,000	1,578,000	28,490
<u>1,664,000</u>	<u>0</u>	<u>86,000</u>	<u>1,578,000</u>	<u>29,570</u>
<u>165,000</u>	<u>0</u>	<u>13,000</u>	<u>152,000</u>	<u>4,950</u>
598,830	0	49,900	548,930	20,038
<u>2,427,830</u>	<u>0</u>	<u>148,900</u>	<u>2,278,930</u>	<u>54,558</u>
<u>\$ 5,677,019</u>	<u>449,861</u>	<u>483,815</u>	<u>5,643,065</u>	<u>162,349</u>

**CITY OF PANORA**  
Bond and Note Maturities  
June 30, 2015

Year Ending June 30,	General Obligation Bonds and Notes					
	<u>Issued 1-12-10</u>		<u>Annual Appropriation Bond</u>		<u>Annual Appropriation Note</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2016	3.000%	\$ 125,000	2.25	125,000	2.00	49,800
2017	3.250	130,000	2.25	125,000	2.00	50,700
2018	3.250	135,000	2.25	125,000	2.00	51,800
2019	3.375	140,000	2.25	130,000	2.00	52,800
2020	3.625	150,000	2.50	130,000	2.00	53,900
2021	3.750	155,000	2.75	140,000	--	--
2022	3.750	160,000	3.00	140,000	--	--
2023	3.875	170,000	3.15	145,000	--	--
2024	4.000	180,000	3.30	150,000	--	--
2025	--	--	3.40	155,000	--	--
2026	--	--	3.50	120,000	--	--
2027	--	--	3.60	125,000	--	--
		<u>\$ 1,345,000</u>		<u>1,610,000</u>		<u>259,000</u>

Year Ending June 30,	<u>Water Revenue Bonds</u>		<u>Sewer Revenue Bond</u>		<u>Storm Water Revenue Note</u>	
	<u>2009 SRF</u>		<u>SRF</u>		<u>Issued 5-23-13</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2016	1.75%	\$ 75,000	3.00%	\$ 13,000	4.00%	\$ 48,130
2017	1.75	75,000	3.00	14,000	4.00	54,550
2018	1.75	80,000	3.00	14,000	4.00	56,780
2019	1.75	78,000	3.00	15,000	4.00	59,090
2020	1.75	79,000	3.00	15,000	4.00	61,500
2021	1.75	81,000	3.00	15,000	4.00	64,000
2022	1.75	83,000	3.00	16,000	4.00	66,610
2023	1.75	84,000	3.00	16,000	4.00	69,330
2024	1.75	86,000	3.00	17,000	4.00	68,940
2025	1.75	88,000	3.00	17,000	--	--
2026	1.75	90,000	--	--	--	--
2027	1.75	91,000	--	--	--	--
2028	1.75	93,000	--	--	--	--
2029	1.75	95,000	--	--	--	--
2030	1.75	97,000	--	--	--	--
2031	1.75	99,000	--	--	--	--
2032	1.75	101,000	--	--	--	--
2033	1.75	103,000	--	--	--	--
		<u>\$ 1,578,000</u>		<u>\$ 152,000</u>		<u>\$ 548,930</u>

See independent auditor's report.

**CITY OF PANORA**  
Bond and Note Maturities  
June 30, 2015

<u>Ambulance Loan</u>		
<u>Interest</u>		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
3.003	23,591	323,391
3.003	24,299	329,999
3.003	25,029	336,829
3.003	25,781	348,581
3.003	26,555	360,455
3.003	24,880	319,880
--	--	300,000
--	--	315,000
--	--	330,000
--	--	155,000
--	--	120,000
--	--	125,000
	<u>150,135</u>	<u>3,364,135</u>

**CITY OF PANORA**  
Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 600,760	540,426	569,523	542,485
TIF revenues	112,994	147,097	50,368	52,379
Other city taxes	82,588	82,329	91,859	87,676
Licenses and permits	3,222	2,345	3,693	3,241
Use of money and property	7,438	7,581	10,140	14,125
Intergovernmental	192,181	193,631	687,049	218,356
Charges for services	6,722	5,568	5,787	5,054
Special assessments	16,092	25,149	28,276	21,389
Miscellaneous	216,796	60,414	34,038	59,609
Total Receipts	<u>\$ 1,238,793</u>	<u>1,064,540</u>	<u>1,480,733</u>	<u>1,004,314</u>
Disbursements:				
Public safety	\$ 268,733	260,862	267,774	224,158
Public works	144,826	120,442	118,393	114,511
Culture and recreation	145,820	115,642	120,304	103,232
Community and economic development	41,800	28,970	72,866	56,162
General government	71,557	73,486	65,006	67,518
Debt service	415,607	419,000	378,735	164,112
Capital projects	627,193	753,431	4,222,848	494,386
Total Disbursements	<u>\$ 1,715,536</u>	<u>1,771,833</u>	<u>5,245,926</u>	<u>1,224,079</u>

See independent auditor's report.

**CITY OF PANORA**  
Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds

Years Ended June 30					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
512,449	507,787	501,249	476,040	464,399	425,105
127,835	150,037	114,485	130,558	116,406	102,883
71,809	84,333	79,835	76,002	104,390	108,819
3,908	5,334	2,630	3,178	6,736	10,131
19,560	32,181	38,866	45,219	37,654	39,248
202,474	160,822	240,596	227,321	292,020	215,729
5,744	254,280	190,304	150,418	79,111	61,506
52,262	37,859	61,415	32,736	19,780	19,356
223,446	152,531	104,787	47,810	20,169	22,557
<u>1,219,487</u>	<u>1,385,164</u>	<u>1,334,167</u>	<u>1,189,282</u>	<u>1,140,665</u>	<u>1,005,334</u>
254,085	458,661	484,837	372,386	306,271	251,007
152,265	138,520	175,342	188,907	129,862	163,879
103,754	102,013	134,204	186,068	119,611	160,321
56,352	64,030	78,317	95,575	146,287	104,469
63,440	53,801	39,079	71,433	37,908	25,042
161,062	1,009,655	196,744	144,905	150,702	151,223
242,629	1,358,593	242,965	1,182,071	128,191	38,580
<u>1,033,587</u>	<u>3,185,273</u>	<u>1,351,488</u>	<u>2,241,345</u>	<u>1,018,832</u>	<u>894,521</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council  
City of Panora, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Panora, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 3, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Panora's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Panora's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Panora's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be significant deficiencies but none that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Panora's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Panora's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Panora's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for two items which continue into the current year as items 15-III-A and 15-III-F.

### The City of Panora's Responses to Findings

The City of Panora's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Panora's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schuring, Uitermarkt,  
Sims, McCleish, Ver Meer, P.C.*

Schuring, Uitermarkt, Sims, McCleish, Ver Meer, P.C.  
Urbandale, Iowa  
March 3, 2016

**CITY OF PANORA**  
Schedule of Findings  
Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, but the item was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**CITY OF PANORA**  
Schedule of Findings  
Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

No matters were noted.

Significant Deficiency

15-II-A Segregation of Duties

One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one employee is involved in cash receipts, bank deposits, utility billings, cash disbursements, general ledger accounting and bank reconciliations.

We realize that with the limited number of employees, improvement of these controls is not economically feasible. However, we believe that management of the City should be aware of the situation.

Response: The Council is aware of the situation.

Conclusion: Response accepted.

**CITY OF PANORA**  
Schedule of Findings  
Year Ended June 30, 2015

**Part III: Other Findings Related to Statutory Reporting**

**15-III-A Certified Budget**

City expenditures during the year ended June 30, 2015 exceeded amounts budgeted therefore in the debt service program. Chapter 384 of the Code of Iowa prohibits such budget overruns. City officials should carefully monitor expenditures and prepare budget amendments when necessary.

Response: We will carefully monitor expenditures to avoid budget overruns.

Conclusion: Response accepted.

**15-III-B Questionable Disbursements**

We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

**15-III-C Travel Expense**

No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

**15-III-D Business Transactions**

During the year ended June 30, 2015, there were no business transactions between the City and City officials.

**15-III-E Bond Coverage**

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

**15-III-F Council Minutes**

No transactions were found that we believe should have been approved in the Council minutes but were not.

We did note occasions when the Council minutes were not published within fifteen days of the Council meeting in accordance with Chapter 372.13(6) of the Code of Iowa. In addition, the published Council minutes did not include the amount of disbursements from each fund or the summary of receipts. The City should publish the Council minutes and required information within fifteen days of the Council meeting.

Response: We will attempt to publish the Council minutes within fifteen days of the meeting and include all required items.

Conclusion: Response accepted.

**15-III-G Water, Sewer, and Storm Water Revenue Bonds**

The provisions of the resolutions for the issuance of the revenue bonds relating to funding of the sinking funds were followed.

**15-III-H Deposits and Investments**

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**CITY OF PANORA**  
Schedule of Findings  
Year Ended June 30, 2015

15-III-I Deficit Fund Balance

At June 30, 2015, the City had a deficit fund balance in the TIF - Central Fund of \$6,362 as a result of transferring funds in excess of the balance in the fund and a deficit in the Economic Development Fund of \$3,692 as a result of disbursements exceeding receipts. The City should work to eliminate these deficits.

Response: The deficits will be eliminated through future receipts.

Conclusion: Response accepted.